GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1065
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Loan Target to Farmers
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Will the Minister of FINANCE be pleased to state:

a) the number of banks in the country which are as per rule extending as loans upto 18 per cent of their balance sheets to the farmers;

(b) if so, the details thereof;

(c) whether some incidents of frauds in achieving targets by certain banks have been reported and if so, the details thereof; and

(d) the steps taken by the Government to ensure the availability of loan to the farmers and to prevent incidents of fraud by certain banks in this regard?

Answer

The Minister of State in the Ministry of Finance

(a) & (b) As per Reserve Bank of India (RBI)'s extant guidelines on Priority Sector Lending (PSL), all Domestic Scheduled Commercial Banks have been mandated to earmark 18% of their Adjusted Net Bank Credit (ANBC) or Credit Equivalent amount of Off-Balance Sheet Exposure (OBE), whichever is higher, as on the corresponding date of the previous year, for lending to Agriculture. Foreign banks with 20 branches and above have to achieve the target for lending to Agriculture within a maximum period of five years starting from April 1, 2013 and ending on March 31, 2018, as per the action plans submitted by them and approved by RBI.

RBIhas reported that out of 47 scheduled public sector banks / private banks, 32 banks did not achieve agriculture target of 18% as on March 31, 2015, as per details given in Annex. RBI has further reported that Scheduled Commercial Banks having any shortfall in lending to priority sector shall be allocated amounts for contribution to the Rural Infrastructure Development Fund (RIDF) established with NABARD and other Funds with NABARD/NHB/SIDBI/MUDRA Ltd., as decided by RBI from time to time.
(c) & (d): RBI has reported that in the past there have been some media reports alleging that the subsidized farm credit is being used for arbitrage. RBI & National Bank for Agriculture & Rural Development (NABARD) advised banks on 9.11.2012 and 27.12.2012 respectively to ensure end-use of crop loans under Interest Subvention Scheme. The Government had also instructed all Public Sector Banks (PSBs), Regional Rural Banks (RRBs) and State Cooperative Banks on 12.11.2013 to strengthen their system for pre-sanction scrutiny and post-disbursement supervision and also consider carrying out post-disbursement audits to ensure that all crop loans for which interest subvention was being claimed were used for stated purposes and that there was no diversion of funds. These instructions were again reiterated by the Government on 31.10.2014 to all lending institutions and they were also advised not to claim any interest subvention for loans not meeting the criteria prescribed by RBI for short-term crop loans. Besides, RBI has issued instructions on March 11, 2015 to all scheduled commercial banks to undertake some additional corrective steps in implementation of interest subvention scheme, immediately.

The following major steps have been taken by Government to ensure availability of hassle-free loan to farmers:

â€¢ The guidelines on Priority Sector Lending (PSL) of RBI mandate all Domestic Scheduled Commercial Banks to earmark 18% of their Adjusted Net Bank Credit (ANBC) or Credit Equivalent amount of Off-Balance Sheet Exposure (OBE), whichever is higher, as on the corresponding date of the previous year, for lending to Agriculture. Foreign banks with 20 branches and above have to achieve the Agriculture Target within a maximum period of five years starting from April 1, 2013 and ending on March 31, 2018.

â€¢ Government sets annual target for the flow of credit to the agriculture sector. Banks have been consistently surpassing the annual target.

â€¢ With a view to ensuring availability of agriculture credit at a reduced interest rate of 7% p.a. to farmers, the Government of India implements an interest subvention scheme for short term crop loans up to Rs. 3.00 lakh. Under the said scheme, additional subvention of 3% is given to those farmers who repay their short term crop loan in time, thereby reducing the effective rate of interest to 4% p.a. for such farmers.

â€¢ In order to ensure that all eligible farmers are provided with hassle-free and timely credit for their agricultural operations, the Government has introduced the Kisan Credit Card (KCC) Scheme, which enables them to draw cash to purchase agricultural inputs such as seeds, fertilizers, pesticides as well as meet other agricultural and consumption needs.

â€¢ The KCC Scheme has since been simplified by providing the farmers with ATM enabled debit card based on one-time documentation and built-in cost escalation in the limit, etc.

â€¢ To bring small, marginal, tenant farmers, oral lessees, etc. into the fold of institutional credit, Joint Liability Groups (JLGs) have been promoted by banks.

â€¢ Banks have been advised by RBI to waive margin/security requirements of agricultural loans upto Rs.1,00,000/-, vide RBI's circular dated 18th June, 2010.

â€¢ RBI has issued Standing Guidelines for Relief Measures to be provided by respective lending institutions in areas affected by natural calamities which, inter alia, include identification of beneficiaries, restructuring of existing loans, extending fresh loans, relaxed security and margin norms, moratorium, etc. The Guidelines have been so designed that the moment calamity is declared by the concerned District Authorities they are automatically set in motion without any intervention, thus saving precious time. The benchmark for initiating relief measures by banks has also been reduced to 33% crop loss in line with the National Disaster Management Framework.